



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

January 4, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Board of Supervisors
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First District

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Second District

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Third District

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MICHAEL D. ANTONOVICH
Fifth District

Dear Supervisors:

**RECOMMENDATION TO APPROVE AMENDMENT TO AGREEMENTS WITH
WORKERS' COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST
CONTAINMENT SERVICES CONTRACTS – (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve, and instruct the Chair to sign, the attached contract amendment to the County of Los Angeles Workers' Compensation Medical and Disability Management and Cost Containment Services contracts (Medical Management Contracts). The amendment authorizes provision of Medical Provider Networks (MPNs) formed from existing workers' compensation Preferred Provider Organizations (PPOs) established on behalf of the County of Los Angeles (County) by its medical management contractors, ComplQ Corp, CorVel Healthcare Corporation, and Fair/saac Corporation (formerly Diversified HealthCare Services, Inc.).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

- 1) Pursuant to recent workers' compensation reform, the County now possesses the opportunity to improve the provision and quality of medical care and treatment of County employees injured while working. This improvement will be made at no additional cost to the County. However, workers' compensation MPNs possess the potential to reduce the County's annual workers' compensation expense by approximately \$6-8 million.
- 2) One of the workers' compensation reforms effective January 1, 2005, was the authorization for employers to establish MPNs. The contracts' amendment establishes the County's MPNs. MPNs are comprised of medical providers possessing the expertise to treat injured workers.

- 3) Presently, the County is only able to manage the first 30 days of an injured employee's medical treatment by directing the employee to County workers' compensation PPOs. Those PPOs are established through the County's Medical Management Contracts. Amending the Medical Management Contracts to create the County's MPNs facilitates the Chief Administrative Office's (CAO) ability to more fully manage health care for workers' compensation. The MPNs will:
 - apply standardized treatment guidelines to ensure that medical analysis and treatment is timely, appropriate and meets quality standards;
 - enhance employee notification of, and access to, treatment standards for medical and non-medical services; and,
 - offer a medical dispute resolution process for employees as provided in Labor Code Section 4616.4.
- 4) In addition, creating the County's MPNs by utilizing current County workers' compensation PPO physicians enables the CAO to arrange workers' compensation medical services at rates consistent with or lower than the California Official Medical Fee Schedule.
- 5) Many County employees are familiar with the current delivery system of workers' compensation medical services and the physicians within the MPNs. County employees will possess access to all workers' compensation MPN physicians.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The MPNs established through the County's Medical Management Contracts promote and further the County's Strategic Plan Goal Two, Workforce Excellence; Goal Three, Organization Effectiveness; and, Goal Four, Fiscal Responsibility. The County's strategic goals will be advanced by facilitating the CAO's provision of quality medical care, Return-to-Work Program, Loss Control and Prevention Program, cost containment effort and aggressive claims management.

FISCAL IMPACT/FINANCING

No additional cost will be incurred by amending the contracts. The MPNs are designed to implement certain features of traditional managed care for occupational injuries; for example, selection of physicians trained in occupational medicine. Quality treatment is maintained by regulatory standards to which the MPNs must comply. Annual savings may approximate \$6-8

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million. Savings will be attained through the application of standards of practice for occupational physicians and the increased utilization of MPN physicians. MPN physicians will charge the County less for their services than physicians outside the MPNs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed amendments have been approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES

The CAO expects improved workers' compensation medical services will be provided to County employees. There will be no interruption of workers' compensation medical services being provided by the County's three medical management contractors.

CONCLUSION

Please sign three copies of the attached contract amendments and return two copies to the CAO Risk Management Branch, attention Rocky Armfield, County Risk Manager.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SRH
RAA:CO:mtm

Attachments (3)

c: Auditor-Controller
County Counsel